

# Senate Study Bill 1205

SENATE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
AGRICULTURE BILL BY  
CO=CHAIRPERSON FRAISE)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

## A BILL FOR

1 An Act relating to agricultural contracts, including for the  
2 production and marketing of agricultural commodities,  
3 providing for its applicability, and providing penalties.  
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
5 TLSB 2565SC 81  
6 da/cf/24

PAG LIN

1 1 Section 1. Section 202.1, Code 2005, is amended by adding  
1 2 the following new subsections:  
1 3 NEW SUBSECTION. 1A. "Agricultural contract" means a  
1 4 marketing contract or a production contract.  
1 5 NEW SUBSECTION. 8A. "Crop field" means farmland where a  
1 6 crop is produced according to an agricultural contract  
1 7 executed pursuant to section 202.2 by a contract producer who  
1 8 holds a legal interest in the farmland.  
1 9 NEW SUBSECTION. 10A. "Livestock facility" means an animal  
1 10 feeding operation as defined in section 459.102, in which  
1 11 livestock or raw milk is produced by a producer who holds a  
1 12 legal interest in the animal feeding operation. "Livestock  
1 13 facility" includes a confinement feeding operation as defined  
1 14 in section 459.102, an open feedlot as defined in section  
1 15 459.102, or an area which is used for the raising of crops or  
1 16 other vegetation and upon which livestock is fed for slaughter  
1 17 or is allowed to graze or feed.  
1 18 NEW SUBSECTION. 10B. "Marketing contract" means an oral  
1 19 or written agreement executed pursuant to section 202.2  
1 20 between a processor and a producer for the purchase of  
1 21 commodities grown or raised by the producer in this state.  
1 22 NEW SUBSECTION. 12A. "Processor" means a person, who  
1 23 alone or in conjunction with others, directly or indirectly  
1 24 controls the manufacturing, processing, or preparation of  
1 25 goods from commodities. The goods manufactured, processed, or  
1 26 prepared shall have a total annual wholesale value of eighty  
1 27 million dollars or more for the person's tax year.  
1 28 NEW SUBSECTION. 13A. "Producer" means a person who  
1 29 produces commodities pursuant to an agricultural contract,  
1 30 including a contractor in a marketing contract with a  
1 31 processor, if the contractor is not also a processor.  
1 32 Sec. 2. Section 202.1, subsections 3, 4, and 11, Code  
1 33 2005, are amended by striking the subsections.  
1 34 Sec. 3. Section 202.1, subsection 5, Code 2005, is amended  
1 35 to read as follows:  
2 1 5. "Contract operation" means a ~~contract~~ livestock  
2 2 facility or ~~contract~~ crop field where a commodity is produced  
2 3 under a production contract.  
2 4 Sec. 4. Section 202.1, subsection 8, paragraph a, Code  
2 5 2005, is amended to read as follows:  
2 6 a. "Crop" means a plant used for food, animal feed, seed,  
2 7 fiber, or oil, fuel, pharmaceuticals, or nutraceuticals if the  
2 8 plant is classified as a forage or cereal plant, including but  
2 9 not limited to alfalfa, barley, buckwheat, corn, flax, forage,  
2 10 millet, oats, popcorn, rye, sorghum, soybeans, sunflowers,  
2 11 wheat, and grasses used for forage or silage.  
2 12 Sec. 5. Section 202.1, subsection 10, Code 2005, is  
2 13 amended to read as follows:  
2 14 10. "Livestock" means ~~beef cattle, dairy cattle, sheep, or~~  
2 15 ~~swine a domesticated animal belonging to the bovine, porcine,~~

2 16 ovine, caprine, equine, or avian species.  
2 17 Sec. 6. Section 202.1, subsection 13, paragraph a, Code  
2 18 2005, is amended to read as follows:  
2 19 a. Provide feed or services relating to the care and  
2 20 feeding of livestock. If the livestock is dairy cattle,  
2 21 "produce" includes milking the dairy cattle and storing raw  
2 22 milk at the contract producer's ~~contract~~ livestock facility.  
2 23 Sec. 7. Section 202.1, subsection 14, Code 2005, is  
2 24 amended to read as follows:  
2 25 14. "Production contract" means an oral or written  
2 26 agreement executed pursuant to section 202.2 that provides for  
2 27 the production of a commodity ~~or the provision of management~~  
2 28 ~~services relating to the production of a commodity by a~~  
2 29 ~~contract producer and for payment to a producer in an amount~~  
2 30 ~~of ten thousand dollars or more by the contractor.~~  
2 31 "Production contract" includes a marketing contract if it also  
2 32 includes terms meeting the definition of a marketing contract.  
2 33 Sec. 8. Section 202.2, subsection 2, Code 2005, is amended  
2 34 to read as follows:  
2 35 2. a. A production contract is executed when it is signed  
3 1 or orally agreed to by each party or by a person who is  
3 2 authorized by a party to act on the party's behalf.  
3 3 b. A marketing contract is executed when it is signed by a  
3 4 producer and processor or by a person authorized to act on the  
3 5 behalf of the producer or processor.  
3 6 Sec. 9. NEW SECTION. 202.6 CHOICE OF LAW, JURISDICTION,  
3 7 AND VENUE.  
3 8 1. Any condition, stipulation, or provision in an  
3 9 agricultural contract applied to a livestock facility or crop  
3 10 field located in this state requiring the application of the  
3 11 law of another state is void and unenforceable if the  
3 12 producer's principal office is located in this state. This  
3 13 chapter does not apply to an agricultural contract for a  
3 14 livestock facility or crop field located in this state if the  
3 15 principal offices of all parties to the contract are located  
3 16 out of state. This chapter does not apply to an agricultural  
3 17 contract solely because the contract provides that the  
3 18 contract is subject to or governed by the laws of this state.  
3 19 This chapter does not apply to an agricultural contract for a  
3 20 livestock facility or crop field located out of state.  
3 21 2. A provision in an agricultural contract restricting  
3 22 jurisdiction to a forum outside this state is void with  
3 23 respect to a claim otherwise enforceable under this chapter.  
3 24 A civil action or proceeding arising out of an agricultural  
3 25 contract may be commenced wherever jurisdiction over the  
3 26 parties or subject matter exists, even if the contract limits  
3 27 actions or proceedings to a designated jurisdiction.  
3 28 3. Venue for a civil action commenced under this chapter  
3 29 shall be determined by the location of the crop field or  
3 30 livestock facility where the commodity is produced in  
3 31 accordance with the terms of an agricultural contract.  
3 32 Sec. 10. NEW SECTION. 202.7 MEDIATION AND ARBITRATION.  
3 33 1. An agricultural contract shall contain language  
3 34 providing for resolution of disputes concerning the contract  
3 35 by mediation or nonbinding arbitration.  
4 1 2. An agricultural contract shall not contain language  
4 2 providing for resolution of disputes concerning the contract  
4 3 by binding arbitration. A contract providing for such  
4 4 resolution is void and unenforceable except if it is agreed to  
4 5 by the producer after the dispute has manifested and if all  
4 6 parties to the contract agree to the person serving as the  
4 7 arbitrator or arbitration panel.  
4 8 Sec. 11. NEW SECTION. 202.8 WAIVERS.  
4 9 Any provision of an agricultural contract that waives a  
4 10 producer's right or obligation of a contractor or processor  
4 11 established by this chapter is void and unenforceable. This  
4 12 section does not affect other provisions of an agricultural  
4 13 contract, including a related document, policy, or agreement  
4 14 which can be given effect without the voided provision.  
4 15 Sec. 12. NEW SECTION. 202.9 IMPLIED OBLIGATION OF GOOD  
4 16 FAITH.  
4 17 An agricultural contract shall impose an obligation of good  
4 18 faith on all parties with respect to the performance and  
4 19 enforcement of the agricultural contract. For purposes of  
4 20 this section, "good faith" means honesty in fact and the  
4 21 observance of reasonable commercial standards of fair dealing.  
4 22 Sec. 13. NEW SECTION. 202.10 APPLICABILITY.  
4 23 1. This chapter does not prohibit a producer from  
4 24 proceeding against a contractor or processor for a breach of  
4 25 duty or violation of common law or another state statute or  
4 26 rule. A civil action commenced pursuant to this chapter by a

4 27 producer is not an election of remedies and the producer  
4 28 retains any other common law or statutory causes of action  
4 29 which may exist against a contractor or processor who has  
4 30 violated this chapter.

4 31 2. This chapter applies to agricultural contracts executed  
4 32 on and after the effective date of this Act or extended beyond  
4 33 their original terms on or after the effective date of this  
4 34 Act. This chapter also applies to agricultural contracts  
4 35 executed before the effective date of this Act and amended  
5 1 after the effective date of this Act if the amendment alters a  
5 2 term of the contract which is regulated by this chapter.

5 3 Sec. 14. NEW SECTION. 202.11 PENALTIES AND ENFORCEMENT.

5 4 1. A producer who suffers damages because of a  
5 5 contractor's or processor's violation of this chapter may  
5 6 obtain appropriate legal and equitable relief, including  
5 7 punitive damages.

5 8 2. In order to obtain injunctive relief, a producer is not  
5 9 required to post a bond, prove the absence of an adequate  
5 10 remedy at law, or show the existence of special circumstances,  
5 11 unless the court for good cause otherwise orders. The court  
5 12 may order any form of prohibitory or mandatory relief that is  
5 13 appropriate under principles of equity, including but not  
5 14 limited to issuing a temporary or permanent restraining order.

5 15 3. The district court may impose civil penalties against a  
5 16 contractor or processor who engages in conduct or practices in  
5 17 violation of this chapter for an amount up to five thousand  
5 18 dollars per day per violation. The amount of the civil  
5 19 penalties shall be awarded to the producer whose rights were  
5 20 violated by the contractor or processor.

5 21 Sec. 15. Section 202.5, Code 2005, is repealed.

5 22 EXPLANATION

5 23 CURRENT LAW. Code chapter 202 regulates contracts for the  
5 24 production and purchasing of agricultural commodities,  
5 25 principally by prohibiting the confidentiality of terms or  
5 26 conditions of a production contract. The Code chapter  
5 27 provides that the attorney general is responsible for  
5 28 enforcing the chapter, and is authorized to apply to district  
5 29 court to obtain injunctions or subpoenas. A contractor who  
5 30 enforces a confidentiality provision is guilty of a fraudulent  
5 31 practice as provided in Code chapter 714.

5 32 THE BILL. This bill further regulates the relationship  
5 33 between persons who execute contracts for the production of  
5 34 agricultural commodities and also regulates the relationship  
5 35 between persons who execute contracts for the marketing of  
6 1 agricultural commodities with processors. The bill defines  
6 2 these arrangements as "agricultural contracts".

6 3 DEFINITIONS. The bill expands the definition of livestock  
6 4 to include goats, horses, and poultry and the definition of  
6 5 crops to include those used for seed, fuel, pharmaceuticals,  
6 6 or nutraceuticals.

6 7 CHOICE OF LAND. The bill provides that any provision in an  
6 8 agricultural contract concerning the application of the law of  
6 9 another state in lieu of Code chapter 202 is void and  
6 10 unenforceable. It also provides that a provision in an  
6 11 agricultural contract which requires that a civil action be  
6 12 brought in another state is also void and unenforceable.

6 13 DISPUTE RESOLUTION. The bill provides that an agricultural  
6 14 contract must contain language providing for resolution of  
6 15 disputes. It cannot contain language providing for binding  
6 16 arbitration, but must provide for nonbinding arbitration or  
6 17 mediation. The bill provides that an agricultural contract  
6 18 which waives a producer's right or contractor's or processor's  
6 19 obligation is void and unenforceable.

6 20 GOOD FAITH. The bill provides that an agricultural  
6 21 contract imposes an obligation of good faith on all parties  
6 22 with respect to the performance and enforcement of the  
6 23 agricultural contract.

6 24 APPLICATION. The bill provides that its provisions do not  
6 25 limit a producer from proceeding against a contractor or  
6 26 processor for a breach of duty or violation of common law or  
6 27 another state statute or rule. The bill provides that its  
6 28 provisions apply to agricultural contracts executed or  
6 29 extended beyond their original terms after the effective date  
6 30 of the bill. It also applies to agricultural contracts  
6 31 executed before the effective date of the bill and amended  
6 32 after the effective date of the bill if the amendment alters a  
6 33 term of the agricultural contract.

6 34 CIVIL REMEDIES. The bill provides that a producer who  
6 35 suffers damages because of a contractor's or processor's  
7 1 violation of the Code chapter's provisions may obtain  
7 2 appropriate legal and equitable relief. The district court

7 3 may impose civil penalties against a contractor or processor  
7 4 for an amount up to \$5,000. The amount of the civil penalties  
7 5 is to be awarded to the producer.  
7 6 FRAUDULENT PRACTICE ELIMINATED. The bill eliminates the  
7 7 criminal offense.  
7 8 LSB 2565SC 81  
7 9 da:nh/cf/24